

GST News

Welcome to GST News

We send you this newsletter twice a year, in March and September, to tell you about Inland Revenue services, tax law changes and topical issues relating to GST.

If you have a GST topic you'd like to see covered in this newsletter, please email us at gst.news@ird.govt.nz or write to the Editor, GST News, PO Box 2198, Wellington 6140 and we'll aim to cover the topic in a future edition.

Please pass this newsletter on to the person who deals with GST in your business.

If you're not already filing your GST return online, why not consider it now?

Have you ever thought of filing your GST return online? Our online service makes it easier for you to meet your GST requirements. It's simple, secure and instant.

What does our GST online service offer you?

- **Convenience:** By completing your GST return online, you can avoid postage costs and delays. When combined with electronic banking, the entire online process gives you greater certainty and is easier than paper-based filing.
- **Accuracy:** You're less likely to make a mistake when completing the return online because it ensures the form is both complete and the addition is correct before it can be submitted.
- **Proof of submission:** You'll receive immediate confirmation that your return has been received by us—this includes the date and time.
- **Faster refunds:** As well as time saved in the mail, online returns are processed faster than paper-based returns.
- **Ability to advise of any changes or extra details at the same time:** Most returns are now being scanned and we may not always pick up any comments written on the return or attachments.

Over the next month we'll be launching a new GST demonstration site that will give you a hands-on experience without committing yourself.

It's a copy of the real site where you can:

- explore it anonymously, without sending any of your details to us
- walk through the screens at your own pace.

The data is already there, so all you do is click the mouse to have a go.

We'll advertise this new demonstration site on our homepage at www.ird.govt.nz

Just click on the advert and it will take you straight to the page. Why not try it out? You'll also find the site under "View demonstration" in the menu on the right-hand side of the homepage.

If you like the demonstration, we encourage you to use our other online services.

Confusion over GST and FBT

We've found some customers claim the GST adjustment made in their FBT returns as a credit adjustment in their GST return.

GST on fringe benefits is an adjustment made in the FBT return. The entry in the FBT return is all that's required. This adjustment doesn't need to be shown in the GST return as well.

If you've claimed the adjustment as a credit in your GST returns you can make a voluntary disclosure about this before it's picked up in an audit. By doing this, you may be entitled to a reduction of up to 100% on any shortfall penalties that may be charged. For more information on making a voluntary disclosure please go to www.ird.govt.nz/yoursituation-bus/starting/obligations/running-puttingtaxaffairsright

Keeping business assets when ceasing GST

When you cease your GST registration and keep assets from your business you need to include the value of these assets in your final GST return. The adjustment is one-ninth of the current market value of those assets and not what their book value is for depreciation. Please confirm this has been done when you call or write to us about ceasing your GST registration.

Example

Peter runs a computer business and is registered for GST. He closes his business on 20 March 2008 and keeps the business car for his own private use.

Book value of car (for depreciation)	\$5,000
Market value of car (given by a car dealer)	\$6,000
Amount to be returned for GST	\$666.66 (\$6,000 divided by 9)

Peter would show the \$666.66 as an adjustment in Box 9 of his return.

Refunds we've sent out in error

If you or your clients receive a refund for payments or credit we've released in error, please return it to us in one of these ways:

- **Cheque** – please return our cheque and attach advice of where the payment or credit should have gone.
- **Direct credit** – please send payment (cheque or electronic) for the exact amount of the refund and advice of where the payment or credit should have gone. When we get the full amount of the refund we can ensure the payment or credit is updated to the date we originally received it, giving you the best advantage for any transfers.

GST Group registration (IR 374)

A group of companies can register as a GST group, for convenience and to help reduce costs. Provided the companies forming the group meet certain criteria, there are many advantages of registering as a GST group. For example:

- transactions between the companies will not generally be liable for GST
- one member represents the group
- the representative accounts for GST on all the members' taxable activities and files the returns with Inland Revenue
- all notices from Inland Revenue are sent to the representative.

Please go to www.ird.govt.nz using the keywords "Group registration" or see our *GST guide (IR 375)* for more information including the criteria to form a GST group.

Do you make electronic payments?

Electronic payments, eg, automatic payment, direct credit and online banking are a common way of paying us. Most banks offer an online tax payment service on their website, which ensures the correct payment reference details are included with your payment.

The correct format of payment information for an electronic payment to us is:

Example

Payee name JOHN WANE LIMITED				Amount
Bank	Branch	Customer number	Suffix	
Particulars 999888656	Payee code GST	30092009	Reference	
IRD number	Tax type	Period end date		

Particulars

999888656 (IRD number). Starting from the left, with no dashes, spaces etc. The remaining boxes are left empty.

Payee code

GST 30092009. The first three boxes have the code for the correct tax type (refer to www.ird.govt.nz/how-to/making-payments/electronic-payments if you'd like further information). Leave the next box blank, then enter the period end date this payment is for, not the date you're making the payment. This must show the day, month and all four digits of the year.

Each bank has a different cut-off time for processing payments. Your bank will carry over a payment made after this time and process it the following business day. So, please check your bank's cut-off time to ensure your payment will be processed on time. Most banks let you postdate your payment so you can set it up in advance for processing on a future date.

Filing your return and/or paying manually

If you're filing your return manually and sending a cheque with payment please send us the whole return, including the tear-off slip at the bottom.

If you're filing an eGST return and sending payment, please only send in the tear-off slip at the bottom of the return with the cheque attached so we know where to put the payment.

Correction

Adjustments shown in September 2008 GST News

We apologise for errors in the examples we showed for the "Calculating assets used for business and private purposes".

The website version of GST News has been changed and the corrected version follows.

Calculating assets used for business and private purposes

If you use business assets for private purposes and you're not registered for FBT you may be required to make adjustments in your GST returns. This applies to:

- sole traders
- partnerships
- trusts.

Adjustments are required where an asset or goods and services are used both privately and for business.

Using a motor vehicle in your business and for private use is a common reason to make GST adjustments.

You need to consider:

1. GST on the cost or value of the vehicle
2. GST on the running costs of the vehicle
3. depreciation on the cost or value of the vehicle.

You need to keep a vehicle logbook to work out how much a vehicle is used for business and for private use—see www.ird.govt.nz/business-income-tax/expenses/vehicle-exp/bit-expenses-vehicleexp or read our *Smart business (IR 320)* guide for more information.

Use the logbook to work out the percentage of business mileage and use this figure to calculate the appropriate amount of GST. The logbook should be kept for a minimum of three months to ensure the calculated amounts are fair and reasonable.

Example

Jane is a sole trader selling real estate. She started her business on 1 April 2008. She has a Holden Barina which she bought in April for \$15,000.

Jane files two-monthly GST returns and on 20 August 2008 she files her June–July GST return. Because she's run her logbook for a three-month test period, she can now include her vehicle. Her logbook calculation shows she uses the car 89% for business.

Jane can return the GST on the vehicle value and make the adjustment using one of three options:

1. **Period-by-period**—a sum is added into the GST return every time a return is completed.
2. **Annual adjustment**—once a year a sum is added in the GST return period that covers the earlier of either the date the income tax return is filed, or the due date for filing (eg, 7 July if no tax agent). If Jane's returns are filed by a tax agent this will be the earlier of either the date the income tax return is filed, or 31 March after the due date for the income tax return.
3. **One-off adjustment**—a sum is added to the GST return only once, usually in the return period when the purchase has taken place.

The following formula is used to calculate GST at 12.5% for all three options—this is shown below as the figure 9:

$$\frac{\text{Purchase price} \times \text{estimated private use}}{9}$$

Jane's options

The market value of the car is \$15,000

The straight line depreciation is 21%

Jane's private use of the car is 11%

	$\frac{\$15,000 \times 21\%}{6} = \$525 \times 11\% = \$57.75$ (6 x 2-monthly filing period)
1. Period-by-period	$\frac{\$57.75}{9} = \6.42 \$6.42 is shown in Box 9 of the GST return each return period for the length of time the vehicle remains in business use.
2. Annual adjustment	$(\$15,000 \times 21\%) \times 11\% = \346.46 $\frac{\$346.46}{9} = \38.50 \$38.50 is shown in Box 9 of the last GST return (see description above, "2. Annual adjustment", for when the amount should be returned).
3. One-off adjustment	$\frac{\$15,000 \times 11\%}{9} = \183.33 \$183.33 is added to Box 9 of the GST return in which the asset was acquired or valued.

Jane has chosen the one-off adjustment option so she will be making this adjustment in her June–July return. These details are also required:

- The asset's value when it was acquired or valued is shown in **Box 9**: \$183.33
- The full value of the vehicle is shown in **Box 11**: \$15,000
- The full GST on the value of the vehicle is shown in **Box 12**: \$1,666.66.

Improvements to eGST

We've made some improvements to our eGST service, in response to customer feedback.

You may have noticed a new response when you file an eGST return. The original message "Submitted" created some uncertainty with our customers.

The new message "Received" confirms your return is safely in our system.

We've also reduced the eGST electronic receipt from four pages to two. This will help reduce compliance costs and paper wastage, when combined with double-sided printing.

Donation tax credits (formerly rebates)

If you, your business or Māori authority made a financial donation to a charitable organisation in the last tax year you may be able to claim part of it back as a tax credit.

Companies (including unlisted close companies) and Māori authorities can claim a third of all their donations made from 1 April 2008, up to the amount of their net taxable income.

Individuals can claim a third of the total cash donations they make to registered donee organisations up to the level of their taxable income. For a list of all registered donee organisations go to www.ird.govt.nz/donee-organisations/

If you claimed a tax credit (rebate) last year we'll automatically send you a *Tax credit claim form (IR 526)* this year. You can also download a copy from www.ird.govt.nz

Income tax returns for 2008-09 tax year

If you receive income from self-employment, a rental property, foreign investment, a partnership or schedular payments (formerly withholding payments) you should receive an income tax return.

If you do a cash job, you still need to pay tax on what you earned.

If you haven't received a taxpack by the date shown below, you can request one online www.ird.govt.nz through INFOexpress on 0800 257 772, or call us on 0800 377 774.



Inland Revenue
Te Tari Taake

The table below shows when we'll issue annual income tax returns for 2009.

Return type	Issued
Individual tax return (IR 3)	End of May 2009
Company income tax return (IR 4)	End of April 2009
Estates or trusts income tax return (IR 6)	End of April 2009
Partnership income tax return (IR 7)	End of April 2009
Māori authority income tax return (IR 8)	End of April 2009
Clubs and societies income tax return (IR 9)	End of April 2009
Registered superannuation funds income tax return (IR 44)	End of April 2009

Will I receive a summary of earnings?

A summary of earnings shows your income information for the tax year. If you file any of the income tax returns listed above and also receive income through salary, wages or schedular payments, you'll automatically receive a summary of earnings. We'll send these out in mid to late May 2009.

When is my tax return due?

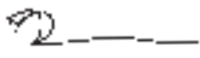
Customers who have a standard balance date, but don't have a tax agent or an extension of time, must file their returns by 7 July 2009. If you can't file your return by the due date, please call us on 0800 377 774.

File your tax return online

You can file individual (IR 3), company (IR 4) and partnership (IR 7) income tax returns online. You'll need the DLN (document lodgement number), which is at the bottom of the first page of your return to do this. If you've previously filed your individual or company income return online we'll send you a DLN letter instead of a return so you can file online again this year. These letters will be issued towards the end of this month.

KiwiSaver

Just a quick note to let you know about changes to KiwiSaver effective from 1 April 2009. Find out what these are at www.ird.govt.nz/news-updates/like-to-know-april-2009-kiwisaver-changes


Alan Quinn
Manager
Customer Insight

GST News comments generally on topical tax issues relevant to GST. Every attempt is made to ensure the law is correctly interpreted, but articles are intended as a brief overview only. The examples provided are not intended to cover every possible factual situation.